

VZCZCXYZ0000  
PP RUEHWEB

DE RUEHYE #0882/01 3101339  
ZNY CCCCC ZZH  
P 051339Z NOV 08  
FM AMEMBASSY YEREVAN  
TO RUEHC/SECSTATE WASHDC PRIORITY 8232  
INFO RUCNCIS/CIS COLLECTIVE PRIORITY

C O N F I D E N T I A L YEREVAN 000882

SIPDIS

E.O. 12958: DECL: 11/04/2018  
TAGS: [PGOV](#) [PREL](#) [EAID](#) [LAB](#) [SOCI](#) [AM](#)  
SUBJECT: AMBASSADOR'S COURTESY VISIT WITH MINISTER OF LABOR  
AND SOCIAL ISSUES AND HER VISIT TO THE GAVAR EMPLOYMENT  
CENTER

Classified By: Ambassador Marie L. Yovanovitch. Reasons 1.4 (b/d)

SUMMARY

-----  
11. (C) During their introductory meeting on October 27, Minister of Labor and Social Issues (MLSI) Arsem Hambarzumian thanked the Ambassador for the significant amount of development assistance provided by the USG to the Armenian people. Hambarzumian stated the MLSI's two main priorities for the coming years are the development of a comprehensive social protection strategy and the implementation of pension reform. The next day the Ambassador drew national and local media attention to USAID's assistance in improving employment services throughout the country during a ribbon-cutting event with the Minister at the Gavar Regional Employment Center. END SUMMARY

PRIORITIES: SOCIAL PROTECTION AND PENSION REFORM

-----  
12. (C) Continuing her introductory calls on high-level Armenian officials, the Ambassador met with the Minister of Labor and Social Issues (MLSI), Arsem Hambarzumian, on October 27. The MLSI is responsible for social protection policy and services including labor regulation, pension and other social insurance programs; employment services, and social assistance for the disabled, elderly, and other vulnerable groups.

13. (C) The Minister expressed appreciation to the American people and the United States Government for their consistent, timely and substantial assistance over the years, noting that Armenia does not enjoy the same level of cooperation with any other donor. He recognized that although Armenia has made progress in economic reform, significant challenges remain in reforming the social sector to make it more effective and responsive to the needs of vulnerable groups. He envisions radical change in the next 1-2 years, and stressed that continued collaboration with the USG and other donors will be critical to their success.

14. (C) The Minister then outlined his most immediate priorities: 1) the development of a comprehensive social protection strategy and 2) implementation of a recently adopted pension reform initiative. The MLSI is developing a comprehensive strategy on social protection including a long-term vision as well as specific goals and budget allocations. It builds on existing efforts (such as the Poverty Reduction Strategy) and social sector analysis. He hopes to have a draft strategy document for review in the next several months.

15. (C) The Government's approach to pension reform was designed by a multi-sectoral task force with significant assistance from USAID and other donors. The MLSI has been tasked by the Prime Minister with implementing the reform. The Minister cited several challenges including: a very ambitious deadline (the new system is scheduled to start January 2010); the need to coordinate across several other

agencies; and the need for sufficient financial and human resources to carry out the implementation process. On the positive side, he believes the Ministry has a window of opportunity to implement this reform given that there are no national elections in the near future. He expressed determination to move ahead, despite the risks and challenges.

#### EFFECTS OF FINANCIAL CRISIS

-----

¶16. (C) The Ambassador asked how the current global crisis will affect pension reform and the economy in general. The Minister responded that given Armenia's relatively small financial sector, it would be shielded from major impacts. However, he was concerned that decreasing remittances (currently remittances make up about 20% of GDP and are mainly used for food, health, education and housing) and declines in jewelry and mining exports would have a negative impact on the economy.

¶17. (C) The Ambassador commended the Ministry for leading the way in outsourcing social services and asked how the Ministry planned to institutionalize this process in the future. (International best practice recommends outsourcing community-based services for vulnerable populations because it is generally more cost effective, more transparent, and more responsive to client needs). The Minister confirmed his intention to continue this practice and specifically cited the USAID-funded Soup Kitchen Support Project, implemented by the indigenous NGO Mission Armenia, as a successful example of outsourcing social services for the elderly. He highlighted USAID's contribution to building the capacity of Mission Armenia, and committed to funding its operations in

2010 and beyond.

#### RIBBON CUTTING HIGHLIGHTS US ASSISTANCE

-----

¶18. (U) The following day the Ambassador and the Minister of Labor and Social Issues were the guests of honor at a ribbon-cutting ceremony to mark the official re-opening of the Regional Employment Center in Gavar, a facility designed to address the employment needs of local residents. The event was covered by national television and print media. Gavar, the capital of Gegharkunik Marz, currently has 3,116 registered unemployed and 110 employers seeking to fill vacancies. The employment office in Gavar was located in a building that had not been renovated or maintained for 40 years. In addition to office renovation, the staff was trained in best practices in employment services, conducting labor market research, teaching job search skills, and assisting vulnerable populations to find jobs. The shift in focus from paying unemployment benefits to assisting people find jobs and obtain marketable skills is critical to Armenia's social well-being and economic growth. The renovation was part of USAID's Social Protection System Strengthening (SPSS) Project, of which one component is to upgrade the quality of employment services nation-wide.

#### COMMENT

-----

¶19. (C) Hambardzumian and his ministry have been good partners of the USG, and though the Minister is relatively new (less than a year), he clearly understands the key issues in the social sector, in particular the challenges of implementing Armenia's pension reform program. The USG, through USAID, is providing technical assistance on pension reform and is pleased at the high-level political commitment demonstrated by the GOAM. Technical experts agree that the reform complies with international best practice and will result in a fiscally sound, yet adequate pension system. End Comment.  
YOVANOVITCH